

## Message Text

PAGE 01 STATE 028079

70

ORIGIN SS-30

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DRAFTED BY ARA/BC:JEKARKASHIAN:NG

APPROVED BY ARA:WBOWDLER

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P 120035Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L STATE 028079

EXDIS

E.O. 11652: GDS

TAGS: CI, US, EFIN, EMIN

SUBJECT: COPPER NEGOTIATIONS - CERRO

REF: SANTIAGO 0642

1. ACCORDING TO CERRO'S PHIL WALSH (FEBRUARY 11) ONLY NEW DEVELOPMENT TOWARD POSSIBLE AGREEMENT IS CERRO'S ACCEPTANCE OF 17-YEAR PAYOUT PERIOD TO ACCOMMODATE PHILIPPI'S CONTENTION THAT IMF CEILING ON CREDITS FOR 15 YEARS OR LESS MAKES ORIGINAL 15-YEAR PERIOD UNACCEPTABLE TO GOC. WALSH LEAVING FOR SANTIAGO EVENING FEBRUARY 11 AND EXPECTS TO BE IN TOUCH WITH EMBASSY.

2. WALSH CONFIRMED GOC ACCEPTANCE OF TOTAL PAYMENT OF DOLS 72 MILLION, INCLUDING INTEREST, OVER FULL PERIOD OF PAYOUT. WALSH SAID THAT ON THE OTHER HAND PHILIPPI HAS QUESTIONED VARIOUS ASPECTS OF AGREEMENT WHICH CERRO HAD REACHED WITH ALLENDE NEGOTIATORS. FOR EXAMPLE, PHILIPPI REPORTEDLY NOW HAS RAISED DOUBTS ABOUT ARBITRATION CLAUSE AND INSISTS BANCO CENTRAL CANNOT GUARANTEE NOTES WHICH WOULD BE ISSUED BY CODELCO. ACCORDING TO PHILIPPI ONLY CONFIDENTIAL

PAGE 02 STATE 028079

BANCO DEL ESTADO CAN MAKE SUCH GUARANTEE. IN RESPONSE TO CERRO ARGUMENT THAT IT ALREADY HAS SIGNED AGREEMENT WITH AUTHORIZED REPRESENTATIVES OF PREVIOUS CHILEAN GOVERNMENT, PHILIPPI IS REPORTED TO HAVE ALLEGED THAT ALLENDE NEGOTIA-

TORS WERE NOT "PROPERLY DESIGNATED".

3. IN EXCHANGE FOR EXTENSION OF PAYOUT PERIOD FROM 15 TO 17 YEARS, WHICH WALSH SAYS WOULD FURTHER ASSIST GOC BECAUSE OF LOWER PAYMENTS DURING FIRST 5 YEARS, CERRO NOW SEEKING COMPENSATORY CONCESSIONS BY GOC SUCH AS PROVISION FOR ACCELERATING PAYMENTS ON ALL NOTES AND RIGHT TO ENFORCE AGREEMENT IN U.S. COURTS. KISSINGER

CONFIDENTIAL

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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